

## Message Text

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ACTION EUR-12

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PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: EAGR, EEC, ETRD

SUBJECT: EC COUNCIL OF AGRICULTURAL MINISTERS

JULY 19 THRU 20; DAIRY REFORM

REF (A) EC BRUSSELS 6745, (B) EC BRUSSELS 6746,

(C) EC BRUSSELS 6874

1. BEGIN SUMMARY: EC AGRICULTURAL MINISTERS DISCUSSED BRIEFLY BUT TOOK NO POSITION ON THE COMMISSION'S DAIRY REFORM PACKAGE, REFTELS A, B, AND C. ONLY THE UK DELEGATION FLATLY OPPOSED THE PROPOSED FISH, MARINE AND VEGETABLE OILS TAX. OTHER TOPICS COVERED AT THE COUNCIL MEETING, JULY 19 THRU 20, WILL BE REPORTED BY SEPTEL. THE DAIRY PACKAGE WILL BE DISCUSSED AGAIN AT THE NEXT AGRICULTURAL COUNCIL MEETING, SEPTEMBER 20. END SUMMARY.

2. THE EC COUNCIL OF AGRICULTURAL MINISTERS HAD ITS FIRST BRIEF GO-ROUND ON THE COMMISSION'S OUTLINE FOR RESTORING BALANCE IN THE DAIRY SECTOR (REFTELS). DIS-  
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CUSSION FELL SHORT OF THE IN-DEPTH DEBATE ANTICIPATED

BY SOME. FULLER DISCUSSIONS ON DAIRY REFORM MUST WAIT UNTIL SEPTEMBER WHEN INTER ALIA THE CONSEQUENCES OF THE DROUGHT CAN BE BETTER ASSESSED.

3. THERE WAS WIDESPREAD AGREEMENT AT THE COUNCIL WITH THE COMMISSION'S ANALYSIS OF THE DAIRY SURPLUS PROBLEM (REFTEL C). HOWEVER, PRACTICALLY EVERY FARM MINISTER GAVE REASONS WHY HIS COUNTRY'S FARMERS SHOULD BE EXCLUDED FROM THE MEASURES PROPOSED BY THE COMMISSION TO RESOLVE THE PROBLEM; PARTICULARLY, THE CO-RESPONSIBILITY MILK LEVY. IRELAND, FOR EXAMPLE, POINTED TO THE SEVERE INCOME EFFECTS THE MILK LEVY WOULD HAVE ON SMALL IRISH MILK PRODUCERS WHO HAVE FEW POSSIBILITIES FOR ALTERNATIVE EMPLOYMENT. FRANCE SAID THAT ITS FARMERS WILL ALREADY HAVE SUFFERED DROPS IN THEIR INCOME DUE TO PRODUCTION SHORT-FALLS AS A RESULT OF THE DROUGHT, AND COULD NOT BE EXPECTED UNDER THESE CONDITIONS TO PAY A MILK LEVY AS WELL. BOTH THE UK AND ITALY FELT THAT THEIR FARMERS SHOULD BE EXEMPT FROM MANY OF THE COMMISSION'S MEASURES SINCE MILK PRODUCTION IN THEIR RESPECTIVE COUNTRIES IS SMALL AND DOES NOT CONTRIBUTE TO THE COMMUNITY DAIRY SURPLUS PROBLEM.

4. ON THE OILS TAX ISSUE (REF B), MINISTERS DISCUSSED ITS POTENTIAL EFFECTS ON COMMUNITY TRADE RELATIONS WITH THIRD COUNTRIES, PARTICULARLY THE UNITED STATES. MENTION WAS MADE OF THE RECENT DIPLOMATIC REPRESENTATION AGAINST THE TAX MADE BY THE UNITED STATES IN ALL THE MEMBER STATE CAPITALS, WHICH SOME CONSIDERED AN "OVERREACTION". EC COUNCIL PRESIDENT VAN DER STEE TOLD MISSION OFFICER THAT NONE OF THE MEMBER STATES, THE THE POSSIBLE EXCEPTION OF THE UK, HAD AN OFFICIAL GOVERNMENT POSITION ON THE OILS TAX; HOWEVER, HE FELT THAT MOST WERE IN FAVOR OF IT. VAN DER STEE STATED THAT COMMUNITY LEGAL EXPERTS HAD PUT FORTH A CONVINCING CASE THAT THE MEASURE WOULD BE CONSISTENT WITH THE COMMUNITY'S RESPONSIBILITIES UNDER GATT. HE HOPED THAT DESPITE IT BEING A US ELECTION YEAR SOME POLITICAL DEAL COULD BE WORKED OUT WITH THE LIMITED OFFICIAL USE

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UNITED STATES ON THE MATTER.

5. THE UK WAS THE ONLY DELEGATION WHICH CALLED THE OILS TAX COMPLETELY UNACCEPTABLE AND ASKED THAT IT BE DROPPED SUMMARILY FROM THE DAIRY PACKAGE. UK MINISTER PEART SAID THAT THE PROPOSAL "HAD ALREADY PROVOKED A VERY STRONG REACTION FROM THE UNITED STATES AND PRODUCING COUNTRIES AND THE LESS DEVELOPED COUNTRIES

ARE NATURALLY EXTREMELY CONCERNED ABOUT A PROPOSAL WHICH THEY WILL REGARD PURELY AND SIMPLY AS AN ATTEMPT BY THE COMMUNITY TO CIRCUMVENT THE GATT BINDINGS". HE ALSO SAID THAT THE TAX WOULD LEAD TO SUBSTANTIAL INCREASES IN FOOD PRICES, HIGHER PRICES FOR CERTAIN INDUSTRIAL PRODUCTS WHICH USE VEGETABLE OILS, AND SERIOUS DISTORTIONS OF TRADE. PEART TOLD REPORTERS HE GOT SOME SUPPORT FROM THE GERMANS AGAINST THE TAX BUT THAT THEY FELL SHORT OF CONDEMNING IT TOTALLY. ACCORDING TO SEVERAL SOURCES, THE DANES AND DUTCH REFRAINED FROM COMMENTING ON THE OILS TAX. ITALIAN MINISTER MARCORA, WHO REJECTED MANY OF THE COMMISSION'S DAIRY MEASURES ON THE GROUNDS THAT HIS COUNTRY DOES NOT CONTRIBUTE TO THE EC SURPLUS, SAID, THAT AS A GOOD EUROPEAN, HE COULD SUPPORT THE OILS TAX (NOT THE LEAST OF REASONS BEING THAT OLIVE OIL IS EXEMPTED). THE FRENCH MINISTER, ALBEIT IN PRINCIPLE FAVORABLE TO THE OILS TAX, ABSTAINED FROM COMMENTING DURING THE NON-RESTRICTED PORTION OF THE COUNCIL MEETING SO AS TO AVOID "UPSETTING MY FARMERS AND MINISTRY OF INTERIOR". THE BELGIANS WONDERED WHAT EFFECT THE OILS TAX WOULD HAVE ON OIL CAKE AND ANIMAL FEED CONSUMPTION. THE IRISH CONCENTRATED THEIR REMARKS ON OTHER ASPECTS OF THE DAIRY PACKAGE AND HAD PRACTICALLY NO COMMENT ON THE OILS TAX.

6. BOTH MINISTERS PEART AND MARCORA BELIEVE THAT THE OILS TAX WILL NEVER BE APPROVED. OTHERS WE SPOKE TO PREFERRED TO TAKE A WAIT-AND-SEE ATTITUDE. PRESIDENT VAN DER STEE TOLD A MISSION OFFICER THERE WAS NO REASON TO BELIEVE THAT THE OILS TAX WOULD BE EXCLUDED FROM THE FINAL COMMISSION PROPOSALS NEXT FALL.

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7. THE DAIRY PACKAGE, INCLUDING THE OILS TAX, WILL BE DISCUSSED AGAIN AT THE NEXT AGRICULTURAL COUNCIL MEETING SEPTEMBER 20 WHEN IT IS HOPED THE MINISTERS WILL BE PREPARED TO DEBATE IT IN MORE DETAIL. UNDER THE FASTEST OF TIMETABLES, THE COMMISSION WOULD THEN HAVE ITS OUTLINE IN FINAL PROPOSAL FORM IN OCTOBER, FOR COUNCIL APPROVAL BEFORE THE END OF THE YEAR. HOWEVER, THE DANES, GERMANS, AND UK CRITICIZED THE COMMISSION PACKAGE FOR NOT PROVIDING ANYTHING ON PRICES, THE LOGIC BEING THAT ANOTHER PRICE HIKE NEXT SPRING COULD ERODE THE SALUTARY EFFECTS OF THE DAIRY REFORM MEASURES. EVEN THE IRISH AND FRENCH DELEGATIONS FELT THAT DAIRY REFORM WOULD BESE BE DECIDED IN THE CONTEXT OF THE NEXT AGRICULTURAL PRICE-FIXING

ROUND. THE ONLY ONE WE SPOKE TO IN THE DIFFERENT  
MEMBER STATE DELEGATIONS WHO THOUGHT THAT THE REFORM  
MEASURES COULD BE AGREED TO BEFORE FIXING DAIRY  
PRICES WAS VAN DER STEE. IT WOULD SEEM THAT ONE  
REASON FOR PUSHING A SETTLEMENT ON DAIRY REFORM BEFORE  
THE END OF THE YEAR WOULD BE AS A GESTURE TO COMMISSIONER  
LARDINOIS WHO SAID HE WANTED TO DO SOMETHING ABOUT  
DAIRY SURPLUSES BEFORE HE LEFT THE COMMISSION THIS YEAR.  
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